

Message Text

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ACTION EB-11

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SUBJ: SHIP BUNKER SHORTAGE

REF: TOKYO 15593

SUMMARY. BUNKER SUPPLY SITUATION, BOTH IN JAPAN AND FOR JAPANESE SHIPPING ABROAD, HAS BECOME MATTER OF SERIOUS CONCERN TO GOJ AND BUSINESS COMMUNITY. WITH RESPECT TO JAPAN, SUPPLY SITUATION FOR DECEMBER NOT YET CLEAR, BUT CONSENSUS OF JAPANESE GOVT AND SHIPPING OFFICIALS IS THAT AVAILABILITIES DEFINITELY WILL BE INADEQUATE TO MEET PROSPECTIVE DEMAND. ULTIMATELY, THOUGH NOT NECESSARILY IN IMMEDIATE FUTURE, IMPOSITION OF ALLOCATION SYSTEM VIRTUALLY A FOREGONE CONCLUSION; ONLY DETAILS REMAIN TO BE WORKED OUT. END SUMMARY.

1. EMBASSY HAS DISCUSSED JAPAN'S BUNKER FUEL OUTLOOK WITH OFFICIALS OF MITI'S RESOURCES AND ENERGY AGENCY, MINISTRY OF TRANSPORT (MOT), FONOFF, AND JAPAN SHIPOWNER'S ASSOCIATION (JSA). CONSENSUS OF VIEWS IS THAT SUPPLY SHORTAGES IN JAPAN WILL BEGIN TO PINCH IN DECEMBER, ALTHOUGH IT STILL NOT CLEAR HOW SEVERE ACTUAL SHORTFALL WILL BE.

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2. ENERGY AGENCY OFFICIAL, HAYASHI, DEPUTY HEAD, INTERNATIONAL

AL DIVISION) INDICATED THAT FOR DECEMBER OIL COMPANIES THINKING IN TERMS OF OVERALL 20 PERCENT CUTBACK FROM PREVIOUS AVERAGE MONTHLY SUPPLY FOR BUNKERS. ACCORDING TO JSA, BUNKER FUEL CUTBACK OF THIS SIZE COULD RESULT IN IDLING OVER HALF OF JAPANESE TONNAGE WHICH OPERATORS PLANNED TO USE THIS MONTH. (JSA PROJECTION BASED ON ESTIMATED REQUIREMENTS OF 1.3 MILLION TONS OF BUNKERS FROM DOMESTIC STOCKS AND 970,000 TONS IN FOREIGN PORTS FOR 1,600 VESSELS TALLING 52.5 MILLION DEADWEIGHT TONS. DECEMBER REQUIREMENTS FROM DOMESTIC STOCKS ESTIMATED TO BE APPROXIMATELY 350,000 TONS IN EXCESS OF PREVIOUS MONTHLY AVERAGE REQUIREMENTS, AS RESULT OF FACT THAT OIL TANKERS WHICH PREVIOUSLY TOOK ON FUEL FOR ROUND TRIP VOYAGES IN MIDDLE EAST NOW EXPECTED TO USE DOMESTIC STOCKS FOR OUTBOUND VOYAGE). NO ESTIMATES MADE OF BUNKER REQUIREMENTS BY FOREIGN VESSELS, BUT IT OBVIOUSLY WILL NOT BE POSSIBLE TO MEET REQUIREMENTS OF ALL VESSELS THAT MIGHT SEEK BUNKERS IN JAPANESE PORTS.

3. HAYASHI SAID AGENCY STUDYING OVERALL ENERGY REQUIREMENTS AND AVAILABILITIES AND ATTEMPTING DETERMINE APPROPRIATE PRIORITIES AMONG COMPETING NEEDS. IN THAT CONNECTION, HE INDICATED BUNKER SITUATION IS ONE OF MOST PRESSING IMMEDIATE PROBLEMS AND AGENCY GIVING IT URGENT ATTENTION. WHILE NO DEFINITE CONCLUSIONS YET REACHED ON SPECIFIC APPROACHES TO BUNKER PROBLEM, HE SAID AGENCY INTENDS TO PREVENT SHORTAGE IN JAPAN FROM REACHING QTE CRITICAL UNQTE PROPORTIONS. HE SAID, HOWEVER, THAT SUPPLY SHORTFALLS ALMOST CERTAIN TO BE SERIOUS ENOUGH ULTIMATELY TO REQUIRE IMPOSITION OF MANDATORY ALLOCATION SYSTEM, AND THAT MOT HAS BEEN ASKED TO DRAW UP NECESSARY REGULATIONS.

4. MOT SHIPPING BUREAU OFFICIAL (OVERSEAS DIVISION DIRECTOR TOMITA) TOLD EMBOFF MOT HAD PRELIMINARILY CONSIDERED NUMBER OF POSSIBLE ALLOCATION SYSTEMS, ONE OF WHICH WOULD INVOLVE PREFERENTIAL BUNKERING OF LINER VESSELS, WITH NONLINERS BEING SUPPLIED ON QTE SPOT BASIS UNQTE. IN GENERAL, TOMITA SAID OBJECTIVE, WITHIN LIMITS OF AVAILABILITY, WOULD BE TO PROVIDE VESSELS IN JAPANESE PORTS AT MINIMUM WITH ENOUGH FUEL TO REACH NEXT PORT WHERE REFUELING WOULD BE POSSIBLE. HE EMPHASIZED, HOWEVER, THAT NO FINAL DECISIONS YET MADE, LIMITED OFFICIAL USE

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EXCEPT THAT SYSTEM, WHATEVER ITS FORM, WOULD BE NON-DISCRIMINATORY AS TO FLAG.

5. FONOFF OFFICIAL (WATANABE, HEAD, INTERNATIONAL ECONOMY DIVISION) ALSO INDICATED THAT NO FLAG DISCRIMINATION WOULD BE PRACTICED IN SUPPLYING BUNKERS IN JAPANESE PORTS. HE NOTED, HOWEVER, THAT BUNKERING OF FOREIGN VESSELS IS TREATED BY GOJ AS EXPORT TRANSACTION AND AS SUCH WILL NOT BE COVERED

BY PROVISIONS OF OIL SUPPLY AND DEMAND ADJUSTMENT BILL. CONSEQUENTLY, WHILE ALLOCATION OF BUNKER FUEL TO JAPANESE SHIPS LIKELY TO BE IMPLEMENTED UNDER AUTHORITY THIS BILL (WHEN PASSED BY DIET), IT APPEARS THAT ALLOCATION TO FOREIGN FLAG VESSELS WILL HAVE TO BE EFFECTED THROUGH QTE ADMINISTRATIVE GUIDANCE UNQTE PROCEDURES.

6. APART FROM ABOVE DISCUSSIONS, PRESS REPORTING AND EMB CONVERSATIONS INDICATE GROWING CONCERN IN BOTH GOJ AND BUSINESS CIRCLES OVER BUNKERING SITUATION, IN JAPAN AND ABROAD, AND ITS IMPLICATIONS FOR JAPAN'S FOREIGN TRADE IN THE COMING MONTHS.
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